STATEMENT FOR THE RECORD
THE HONORABLE MARION C. BLAKEY
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
SENATE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON TRANSPORTATION
May 10, 2007

Good morning, Chairwoman Murray, Senator Bond and members of the subcommittee, I am delighted to be here today and am deeply appreciative for the opportunity to talk to you about the Federal Aviation Administrationôs (FAA) budget request. It is a pleasure to appear before you on behalf of the 44,000 men and women of the FAA to discuss our FY 2008 budget request. As this is my first appearance before you in the 110th Congress, I would like to take this opportunity to acknowledge the new Chairman and Ranking Member of the subcommittee and say that I look forward to working with you on what Iôm sure will be a broad range of aviation issues. I also would like to thank you for your actions on our behalf during the full length continuing resolution which has allowed us to ensure continued safety and efficiency of our services on behalf of the flying public.

Before discussing next yearôs budget, I would like to briefly mention the Administrationôs reauthorization proposal introduced as S. 1076 ï ñNext Generation Air Transportation System Financing Reform Act of 2007.ò The simultaneous expirations at the end of September of the funding authorization for the FAAôs current programs as well as the 10-year term for existing taxes that fund the Airport and Airway Trust Fund (Trust Fund) present us with a unique opportunity.

Let me just emphasize how important I believe it is to move toward a stable, cost-based funding structure to ensure that FAAôs costs and revenues are better aligned and that our stakeholders are treated equitably and reap the benefits of their investments in the system. S. 1076 offers a simple, transparent, and repeatable methodology to equitably allocate and recover the FAAôs costs among aviation users. It also contains other needed programmatic reforms that provide airports with greater financing flexibilities and addresses environmental and congestion challenges.

While S. 1076 has generated some debate already, I think we can all agree that we share two fundamental goals for reauthorization: first, that we continue to keep our air transportation as safe as we possibly can; and second, that we have the ability to grow the system to meet our nationôs future air transportation needs ð both in the short and long term supported by a predictable funding system.

FY 2008 Budget

I will now turn to the issue at hand. The FY 2008 budget requests a total of $14.1 billion to improve safety, reduce congestion, and improve global connectivity. The request supports our financing and programmatic reforms and focuses on accountability and performance. For several years, we have pushed to manage more effectively, rein in costs, and better respond to our customersô needs.

As always, safety is FAAôs primary concern. Our collaboration with industry speaks for itself: we are enjoying the safest period in aviation history. At the same time, the demand for FAA services has never been greater. We oversee about 50,000 flights per day. In 1995, the system supported about 545 million passengers. In 2005, it was 739 million. Forecasts estimate one billion passengers annually by 2015.

Given the anticipated growth ð both in terms of passengers, and, critically, in the number of aircraft operations ð we know that our services must adapt to meet the demand. We also know that the complexity of the future operating environment ð with evolving fleet mixes, new aircraft technology, and environmental constraints ð must be approached in partnership with our customers. This budget demonstrates a long-term commitment to the Next Generation Transportation System (NextGen), not as a pie-in-the-sky vision, but as embodied by tangible systems, processes, and capital projects that will lead us to the future.

For FY 2008, FAA has prepared the budget in a new account structure that aligns with the financing reform proposal and the services that we provide. While the Grants-in-Aid for Airports (AIP) and Research, Engineering, and Development (R, E, & D) accounts remain, the Operations and Facilities and Equipment accounts have been replaced with two new accounts. There is a Safety and Operations account and an Air Traffic Organization (ATO) account that align with our lines of business. Under our reauthorization proposal, beginning in FY 2009 these accounts would be funded by a combination of user fees, taxes and general fund contributions. The General Fund contributions for each account covers specific activities that benefit the public, such as safety oversight and public sector use of air traffic control services. We consider this structure to be more consistent with and supportive of our business-like approach by expanding our comprehensive pay-for-performance programs, consolidating operations, improving internal financial management, and delivering benefits to our customers.

Safety and Operations

The FY 2008 budget requests $2 billion for Safety and Operations. Most of the funds requested for Safety and Operations in FY 2008 support maintaining and increasing

aviation safety and efficiency, reflecting the Presidentôs commitment in this area. Of this request, $1.1 billion is for the agencyôs Aviation Safety (AVS) office. This level supports increasing the AVS safety workforce by 87 inspectors and 79 other safety staff.

The FY 2008 budget requests $12.8 million for Commercial Space Transportation to continue its commitment to timely and responsive licensing and regulatory processes designed to enable a safe, secure, efficient, and internationally competitive U.S. space transportation industry. Commercial space transportation is an exciting area, and we are committed to supporting its continued growth.

The Budget also requests $758 million for Staff Offices to fund administrative and managerial costs for FAAôs international, engineering, and development programs, as well as policy oversight and management functions.

Air Traffic Organization

As a Performance Based Organization, the Air Traffic Organization (ATO) continues to provide safe, secure, and cost effective air traffic services. The budget requests $7 billion for ATO operating expenses. In FY 2008, this will fund 1,420 new air traffic controllers to both address the projected 1,276 controller losses next year, and to fund a net increase of 144 controllers to meet increased demand for air travel.

Recently, there has been a great deal of misinformation generated regarding controller staffing levels, and our recently updated controller staffing plan. Let me take this opportunity to assure you that our 10-year plan recognizes the dynamics of staffing to steady increases in overall traffic as well as accounting for workloads at individual facilities. We are planning for an average net increase of 148 controllers every year for the next 10 years, resulting in a total count of about 16,000 controllers by 2015. FAAôs goal is to have the right number of people in the right facilities at the right time. This includes using overtime more strategically. The overtime levels for controllers are trending downward. The overtime rate in FY 2007 to date is 0.9 percent, which is down from 1.1 percent in FY 2006 and 1.6 percent in FY 2005.

FAA is meeting its recruiting needs, with new people coming into the applicant pool on a daily basis. We have actually selected and filled all en route controller slots for FY 2007 and tentatively selected the majority of terminal controllers for FY 2007. Our plans are already progressing for filling specific controller slots in FY 2008. We have targeted vacancy announcement in cities around the country to ensure we have sufficient applicants in areas where we expect to need controllers in the future.

Most importantly, the system is safe. In FY 2006, we achieved our performance safety metric on operational errors which was down to 4.11 errors per million activities. In FY 2007, the operational error rate is tracking even lower.

In October 2005, ATO completed the largest non-military A-76 competition in history. That action will save the agency $51.7 million in FY 2008, with a 10 year projected savings and cost avoidance totaling almost $2.2 billion. The contract not only saves money, it also commits the vendor to modernize and improve the flight services we provide to general aviation pilots. In addition, the employees who left Federal service as a result of this transition were given offers to work for Lockheed Martin, the successful bidder of the contract.

In FY 2006, ATO consolidated its administrative and staff support functions from nine service areas to three. This will allow us to provide better service to customers while saving an estimated $360 to $460 million over the next 10 years. In FY 2008, we anticipate savings of $29 million from Service Area Consolidation.

NextGen and Capital Needs

The FY 2008 budget requests $2.3 billion for ATO capital programs and more than $100 million for Safety and Operations capital programs. Much of this request will support the ultimate NextGen vision ð with $173 million requested for the transformational NextGen activities detailed below, and over $950 million for current programs that contribute to the NextGen effort. The request also supports the investments needed to keep the current National Airspace System (NAS) functioning. We know that it will take not only funding, but new management approaches, to transform todayôs aviation system to meet tomorrowôs needs. We have done much in recent years to break down stovepipes and plan in a more integrated manner, but NextGen requires us to go further. The new OEP ð formerly the Operational Evolution Plan, and now the Operational Evolution Partnership ð is a big step in the right direction. OEP has gone from a 10 year rolling plan to a more comprehensive roadmap for how we get to NextGen. The emphasis is on ñpartnershipò ð within and between major FAA organizations, with the Joint Planning and Development Office (JPDO) and its other partner agencies, the private sector, and, of course Congress.

One of our greatest challenges is our ability to define what the future system will look like. What technologies will the future system be comprised of? In the coming months, the JPDO will publish the first official NextGen Enterprise Architecture and Concept of Operations. The significance of these foundational documents should not be understated. They are essential to understanding the transformed operational environment, which will

allow us to more precisely develop a plan for achieving it, and will provide the basis for architecture-based, quantitative resource planning. Our reauthorization proposal is designed to strengthen the key linkages needed to implement NextGen, and to deliver those resources when they are needed.

Given demand growth, we know it is essential to improve operations well in advance of 2025. To do so, we are requesting funding to stage demonstrations and develop critical infrastructure that will better define how we can move to trajectory-based operations and identify opportunities for early implementation of promising technologies and practices. The demonstrations will also help us to eliminate certain concepts and technologies from further consideration, thereby allowing us to focus our resources more effectively going forward. Ultimately, trajectory-based operations will allow pilots to select the most cost-effective, fuel-efficient routes, achieving substantial cost and time savings for our customers, while maintaining the highest levels of safety. In addition to these demonstration projects, our capital request funds a growing list of NextGen transformational technologies. Most significantly, these include **Automatic Dependent Surveillance-Broadcast (ADS-B)**, the next generation of satellite-based surveillance technology; **System-Wide Information Management (SWIM)**, which will provide a broad range of real-time information to users of the National Airspace System; and **NextGen Network Enabled Weather**, which will improve forecasting and information sharing and enhance safety.

We are again requesting research funds to continue supporting the JPDO. As the unit that spearheads NextGen for the federal government, JPDO will continue defining the future operating environment, identifying demonstration opportunities, and working with the relevant agencies to implement them. We are also requesting funds to support wake turbulence research, the results of which will help us increase capacity while maintaining safety. In addition, research funds would be directed to environmental research, especially noise and emission control, critical to the design of the future system. And finally, we would fund further research on unmanned aircraft systems, a likely addition to the future fleet mix.

Grants in Aid for Airports (AIP)

The FAA is committed to a healthy national air transportation system. Airports are a key part of the system, and that includes small airports that rely most on AIP funding to help meet their capital needs.

We have proposed changes to the Federal funding programs, which will stabilize and enhance these funding sources for airports. With our proposed programmatic changes, the

$2.75 billion requested in our budget will be sufficient to finance airportsô capital needs and meet national system safety and capacity objectives. These changes will assure that the small airports continue to benefit from the funding formulas currently in place, and provide FAA and states with the level of discretionary AIP funds we need to finance our critical safety, capacity and security requirements. In addition, the proposed increase in the maximum passenger facility charge from $4.50 to $6.00 will provide commercial airports of all sizes with additional local revenues to meet their capital needs. This proposal would bring an additional $1.5 billion annually to commercial airports, with $1 billion going to large airports and $500 million going to small airports.

Research, Engineering, and Development (R, E, & D)

The FY 2008 request for RE&D is $140 million. The request includes $91.3 million for continued research on aviation safety issues. The remaining research funding is for reduced congestion and environmental issues, including $14.3 million for the JPDO to continue defining and facilitating the transition to NextGen. An additional $3.5 million in support for JPDO is contained in the ATO capital request, related specifically to the work on the demonstration projects.

Flight Plan 2007-2011

The Flight Plan is FAAôs rolling five-year strategic plan that we first undertook in 2004. As scheduled, we updated it last fall, with input from our internal and external stakeholders. The Flight Plan is organized around the agencyôs primary goals: increased safety, greater capacity, international leadership, and organizational excellence. The Flight Plan is our blueprint for managing the agency. It has made FAA more business-like, performance-based, and customer-focused.

As part of our Flight Plan, each FAA organization now has its own individual business plan. Each of these plans is linked to the Flight Plan, budgeted and tied to what the customers need. The agencyôs business plan goals have been built into a performance-based tracking system that is posted to the FAA website each quarter. It lists each of the agencyôs goals, performance targets, who is responsible, and the status of each. Using this data, the senior management team conducts a monthly review of our performance. When used with other cost and performance data, the Flight Plan information clearly and precisely identifies the effectiveness of a program across the entire agency. With this perspective, the agency is able to capitalize on successful strategies. Let me address our performance and requests under each of our goals.

Increased Safety

At FAA, safety is our top priority, and approximately 66 percent of our budget request, $9.4 billion, supports this goal. Over the last three years, the accident trends in both commercial and general aviation have been at all-time lows. Commercial space transportation continues its remarkable safety record, without a fatality, injury, or any significant property damage to the public. The Flight Plan continues our commitment to reduce commercial and general aviation fatal accidents. We continue to strive toward a three-year rolling average for our commercial airline fatal accident rate of 0.010 fatal accidents per 100,000 departures or below.

We have achieved the highest safety standards in the history of aviation. Even so, our goal is ð as always ð to continue to improve safety. We address our operational vulnerabilities to reduce risk. One major key to our successful safety efforts is cooperation among our stakeholders. We constantly work with our stakeholder groups to meet our safety goal. Each group helps us with technology, communications, and its own unique expertise. In our responsibility for safety oversight, we work with them to establish their own safety management systems to identify potential areas of risk. Then we work together to address these risk areas.

To help reduce runway incursions, we deployed the Airport Surface Detection Equipment-Model X (ASDE-X) warning system at five major airports in FY 2006. We also strengthened the airfield paint markings standard for taxiway centerlines at 72 large airports to alert pilots when they are approaching hold short lines so they won't inadvertently enter a runway without a clearance.

Our efforts also are helping controllers do their jobs more safely, especially when it comes to tracking and eliminating operational errors. In response to a long-standing recommendation by the Department of Transportation Inspector General and the National Transportation Safety Board to improve reports of operational errors, we've added a new initiative to automate data collection. The Traffic Analysis and Review Program ð known as ñTARPò ð is a state-of-the-art traffic analysis and playback system that will improve operational error identification and quality assurance. We're putting the software in place for use next year, with all installations complete by 2011. The high-fidelity, near-real time playback feature of TARP will also support more effective and efficient air traffic controller training.

At airports, over 48 percent of our AIP grants go to safety-related projects, such as upgrades to runway safety areas, runway safety action team recommendations, purchase

of airport rescue and fire fighting vehicles, and airfield signing, marking and lighting. AIP also supports projects that reduce runway incursions. For example, end-around perimeter taxiways at Atlanta and Dallas-Fort Worth will not only increase capacity, but will also reduce the risk of runway incursions by substantially reducing the number of runway crossings.

The work of the Commercial Aviation Safety Team (CAST), which includes representatives from government, industry, and employee groups, has been instrumental in using data to drive decisions. The teamôs disciplined and focused approach to analyzing accidents and incidents, identifying precursors, and developing targeted implementation strategies helped to reduce the risk of an airline fatal accident rate by 60 percent in the last 10 years. We are also working with this team to develop new metrics and goals to more effectively measure performance in commercial aviation safety.

Finally, we continue our work to expand the growing field of commercial space transportation. In 2006, there were seven commercial launches. We are issuing experimental permits and are now ready to grant safety approvals of commercial space launch and reentry vehicles, safety systems, processes, services and personnel. We met our commercial space launch target and continued improvement of internal processes and partnerships with the Air Force, other government agencies, and the commercial space transportation industry.

Increasing Capacity

While safety is always our primary concern, our mission includes expanding capacity throughout the aviation system ð both in the air and on the ground. The FY 2008 budget requests $3.6 billion to support expansion of capacity on the ground, in the form of new runways, and the continued deployment of new technologies that allow more efficient use of the system. Given the anticipated growth ð both in terms of passengers, and, critically, in the number of aircraft operations ð we know that our services must adapt to meet the demand. We also know that the complexity of the future operating environment ð with evolving fleet mixes, new aircraft, technology, and environmental constraints ð must be approached in partnership with our customers.

Since FY 2000, FAA has provided approximately $1.7 billion in AIP funding to increase capacity and decrease delays at the most congested airports in the country. These 13 new runway projects have provided these airports with the potential to accommodate 1.6 million more annual operations. In addition, funding is being provided to two of the busiest airports in the U.S. (Atlanta and Dallas-Fort Worth) to construct end around

taxiways which improves efficiency, but eliminates runway crossings that improve airfield safety.

Every day, our capacity accomplishments, such as Domestic Reduced Vertical Separation Minimum (DRVSM), help provide more economical and efficient aircraft operations. DRVSM created an additional six layers of cruise levels at higher altitudes enabling aircraft to operate at more fuel-efficient cruising altitudes while also increasing system capacity. Implemented in FY 2005, DRVSM was estimated to yield over $5.3 billion in savings from FY 2005 through FY 2016, but with the rise in jet fuel prices, the savings will exceed $13.4 billion, a 152 percent increase.

Advanced Technologies and Oceanic Procedures (ATOPs) are now available in 24 million square miles of airspace. ATOPs set the stage for reducing aircraft separation from 100 nautical miles to 30. ATOP modernizes the systems and facilities we use to manage over 24 million square miles of airspace over the Atlantic and Pacific Oceans. Using ATOPs, the Atlantic routes will save airlines 6.5 million pounds of fuel and $8 million per year.

Three operating capabilities are key to handling the traffic demand forecast for 2025 and beyond: Navigation, Communications, and Surveillance. We have already developed design criteria as well as aircraft and operator requirements for Required Navigation Performance (RNP) approaches ð a critical element of NextGenôs near term operational environment. We published 6 special RNP approaches in 2005, 28 in 2006, and set a goal of 25 each for FY 2007 and FY 2008. In addition to its safety benefits, we expect RNP to help keep runways accessible and that could mean fewer canceled or diverted flights, thereby saving time and money.

International Leadership

The United States established world leadership in aviation with a consistent commitment to make safety our most important export. Today, FAA has operational responsibility for about half of the worldôs air traffic, certifies more than two-thirds of the worldôs large jet aircraft, and provides technical assistance to more than 100 countries to improve their aviation systems. In FY 2006 alone, FAA provided technical guidance and training to 66 countries and 5 international organizations. The FY 2008 budget requests $78 million for global connectivity activities so FAA can be even more globally focused, helping to ensure that U.S. citizens can travel as safely and efficiently around the world as they do at home, and strengthen Americaôs aviation leadership role in both safety and air traffic control.

We cooperate with bilateral and multilateral partners in Europe and Asia to negotiate executive agreements and implementation procedures supporting the transfer of aviation products to help lower accident rates in areas that are experiencing substantial growth in operations. We have also developed initiatives to collaborate with key international partners to implement NextGen technologies globally as they become available to improve aviation safety and capacity. Last June, FAA entered into a cooperative agreement with European aviation organizations to participate in each otherôs air traffic management modernization programs to harmonize operations. These efforts are essential to seamless operation of aircraft.

We are also leading the world in the development of both private human spaceflight and commercial spaceports.

Environmental Stewardship

The FAA is committed to managing aviationôs growth in an environmentally sound manner. Indeed, NextGen recognizes the need to develop and insert technology to reduce levels of aviation noise and emissions, thereby reducing environment as a constraint on capacity. The FY 2008 budget requests $354 million to support environmental stewardship for noise mitigation, air and water quality, fuel efficiency, environmental streamlining, and facility remediation. We are on track to reduce the impacts of airport noise on more than 100,000 people over the next five years through AIP grants in our FY 2008 budget.

In April 2006, the Office of Airports issued its revised environmental guidance handbook. This handbook is the most recent product in our continuing efforts to meet the streamlining goals of Vision 100 and the Presidentôs Executive Order (13274) on environmental stewardship and streamlining of transportation infrastructure projects. Recent environmental review for capacity enhancing projects at OôHare, Dulles, and Philadelphia Airports demonstrated that this integration process produces meaningful results.

We are also working with our Center of Excellence for Aircraft Noise and Aviation Emissions Mitigation to foster breakthrough scientific, operations, and program advances. We call the Center ñPARTNERò, and it truly is an excellent partnership of government, academic, and industry participants ð led by MIT. Our work this year includes Continuous Descent Approaches to airports that can reduce noise, emissions, and fuel use; the feasibility of alternative fuels for aircraft; and assessing fuel burn reduction through en route optimization. In FY 2008, with our reauthorization and budget

request, we plan to expand PARTNERõs work to develop and certify lower energy, emissions, and noise engine and airframe technology over the next 10 years.

Security

While the U.S. Department of Homeland Securityõs Transportation Security Administration (TSA) has primary responsibility for transportation security, FAA also works closely with TSA and other federal agencies to support aviation security, transportation security, and other national security matters. FAA also has responsibility for the security of its personnel, facilities, equipment and data. FAA ensures the operability of the national airspace, which is essential to the rapid recovery of transportation services in the event of a national crisis. The budget request includes $246 million to continue upgrading and accrediting facilities, procure and implement additional security systems, enhance IT security, and upgrade Command and Control Communications equipment to meet the increased national security demands that have resulted since the September 11 attacks.

Organizational Excellence

The budget requests $384 million to support our organizational excellence initiatives. FAAõs progress over the past four years has been steady, as weõve embraced the vision of the Presidentõs Management Agenda (PMA) and its strategy to improve management throughout the federal government. Through the Flight Plan and PMA, weõve made significant management gains relating to human capital, competitive sourcing and consolidations, financial performance ð including controlling costs; and, in terms of accountability to Congress, the taxpayers, and our customers.

Controlling Labor Costs/Pay-for-Performance — Human Capital Reform

We know that labor costs drive a significant share of our budget, and we have been working to slow the rate of growth of these costs, as was evidenced by our efforts in the recent controller negotiations. Weõre also increasing workforce productivity in several ways and we are on track to achieve cost efficiencies of 10 percent by FY 2010 in controller staff costs. We achieved the first five percent of this goal in FYs 2005-2006 by staffing our facilities based on traffic levels and controller workload, and through imposing greater scrutiny of controller duties that take them away from controlling traffic. Our budget request assumes we will achieve controller productivity improvements of two percent in both FYs 2007 and 2008.

Our improved oversight and proactive management of our workerõs compensation caseload resulted in a cost avoidance of $5.5 million in FY 2005 and $7 million in FY 2006. The estimated cost avoidance for FY 2007 is $7 million.

I have mentioned in the past of ATOôs efforts to streamline its organization. Over the last several years, ATO reduced its overhead expenses by cutting multiple levels of senior management, reducing its executive ranks by 20 percent. In addition to the Service Area Consolidation noted above, ATO has used Activity Value Analysis to help streamline its operations, and eliminate and consolidate administrative staffs and support functions. Since FY 2003, ATO non-safety workforce was reduced by 16 percent.

Many of the efficiencies Iôve noted are the result of the personnel reform that was granted to the agency in 1996. It has enabled FAA to transition from the traditional General-Schedule pay system to pay-for-performance. Accountability for results is systemic throughout our organization, with 80 percent of our employees on a pay-for-performance system, including our executives. Flight Plan performance targets must be achieved before annual pay raises are calculated. The system provides discretion to reward high-performing employees, and incentives are available to ensure that quality work and innovation are rewarded.

In December 2003, we strengthened the approval process for negotiated agreements by requiring, among other things, an analysis of the budget impact of all proposed agreements.

Smarter Capital Investment Choices and Improved Performance

A capital investment team was created in 2004 to review financial and performance data. The team completes an evaluation of baseline performance and includes associated variances, obligations, schedule milestones and earned value management (EVM) data. EVM will provide an early warning for potential and actual variances as well as help the program manager develop corrective actions. The members of this team apply a business case approach to each project as the program is assessed. Since April 2004, over 100 projects have been reviewed. Seven major projects (a total of $60 million) have been significantly restructured and segmented. Three projects were terminated. These changes alone resulted in $460 million in lifecycle savings to FAA. In the fiscal year 2006 Flight Plan, all of our major capital programs were on schedule and we missed only a single program milestone. As we move to the NextGen environment, it will be critical to maintain rigorous oversight of our capital investments.

SAVES

The Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) initiative is an ambitious effort begun in FY 2006 to implement best practices from the private sector in the procurement of administrative supplies, equipment, and IT hardware. It is expected to achieve $5 million in savings in FY 2007 and annualized savings of $6 million thereafter.

Improved Financial Management Performance

We're making significant strides in improving our financial management. The Government Accountability Office (GAO) removed us from its high-risk list in 2006, a particular accomplishment since FAA Financial Management had been a high-risk item since 1999. We also received, for the third year in a row, the Association of Government Accountants' prestigious Certificate of Excellence in Accountability Reporting (CEAR) for our 2005 Performance and Accountability Report.

Closing

I'll end where I began. At FAA, our top priority is safety. Because of the growth forecasted in air traffic, however, we must also focus significant energy on training and transitioning to a NextGen air transportation system. Even with new efficiencies, the current system cannot meet future demand. America's ability to launch NextGen depends on the enactment of FAA's reauthorization proposal and our FY 2008 budget request which supports it. I thank you for your time and look forward to discussing this legislation and our budget request in greater detail today and in the coming weeks.

###